

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00

AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

OMB-01 DOE-15 AF-10 ARA-10 EA-10 NEA-10 OIC-02

JUSE-00 /168 W

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P 031702Z APR 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 7897

INFO AMEMBASSY OTTAWA

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USMTN

ACTION STR

STR PASS CODEL

E.O. 11652: N/A

TAGS: MTN, ETRD, CA

SUBJECT: U.S.-CANADA AGRICULTURAL BILATERAL

1. U.S. MTN DEL (KOENIG, HAMERSCHLAG) MET WITH CANADIAN DEL (GIFFORD, GORE) ON MARCH 31 FOR A TECHNICAL DISCUSSION ON EACH OTHERS AGRICULTURAL OFFERS. AT THE OUTSET THE U.S. INDICATED THAT IT WAS NOT YET PREPARED TO COMMENT SUBSTANTIVELY ON THE CANADIAN AGRICULTURAL OFFER IN VIEW OF THE FACT THAT IT HAD ONLY RECENTLY BEEN TABLED. THE SESSION WAS DEVOTED PRIMARILY TO CLARIFICATION OF THE OFFERS.

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2. U.S. OFFERS: USING A NARROWLY-DEFINED CLASSIFICATION OF AGRICULTURAL PRODUCTS (EX FISH AND SPIRITS) CANADA ESTIMATED THE U.S. OFFER COVERED \$289 MILLION OF CANADIAN EXPORTS TO THE U.S. OUT OF A TOTAL DUTIABLE EXPORT TO THE U.S. OF \$440 MILLION. IN TERMS OF DUTIES COLLECTED THIS WOULD REPRESENT A DUTY LOSS OF \$7 MILLION AND A REDUCTION IN THE GENERAL DUTY LEVEL OF 2.4 PERCENTAGE

POINTS. GIFFORD CHARACTERIZED THE U.S. OFFER AS A GOOD BASIS ON WHICH TO BUILD, BUT EMPHASIZED CANADIAN DISAPPOINTMENT AT U.S. FAILURE TO OFFER CONCESSIONS ON CORN, POTATOES EX QUOTA AND CUT-UP BEEF. HE POINTED TO THE CURRENT U.S. RATE ON CORN OF 25 CENTS PER BUSHEL AS A GLARING DISPARITY WITH THE CANADIAN RATE OF 8 CENTS, AND SAID THE ABILITY OF CANADA TO MOVE ON CORN AND CORN-RELATED PRODUCTS DEPENDED ON U.S. ACTION TO REMOVE THE DISPARITY. CANADA WOULD MATCH WHATEVER THE U.S. DID IN REDUCING BELOW THE 8 CENT LEVEL, AND WAS AWARE THIS WOULD REQUIRE THE U.S. TO SEEK ADDITIONAL AUTHORITY. ON POTATOES CANADA SAID THAT IF THE U.S. WAS UNABLE TO AGREE TO A HARMONIZATION OF RATES THE CANADIAN GOVERNMENT WOULD HAVE NO CHOICE BUT TO IMPLEMENT THE RECOMMENDATIONS OF THE TARIFF BOARD FOR HIGHER PROTECTION. GIFFORD NOTED THAT THE U.S. WAS A NET EXPORTER OF POTATOES TO CANADA. ON CUT-UP BEEF, THE U.S. INDICATED THAT A REQUEST HAVING NDW BEEN RECEIVED FROM NEW ZEALAND, THE PRINCIPAL SUPPLIER, THE POSSIBILITY OF AN OFFER WAS UNDER REVIEW IN WASHINGTON.

3. CANADIAN OFFERS: GIFFORD SAID THAT THE CANADIAN OFFER, ALTHOUGH LATE IN COMING, HAD BEEN PREPARED PRIOR TO HAVING SEEN THE U.S. OFFER. HE ESTIMATED THE OFFER COVERED \$400 MILLION IN U.S. EXPORTS, WOULD ENTAIL A DUTY LOSS OF \$7.5 MILLION AND WOULD REDUCE CANADA'S TARIFF LIMITED OFFICIAL USE

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LEVEL BY 1.9 PERCENTAGE POINTS. HE ACKNOWLEDGED THAT MANY OF CANADA'S OFFERS PROVIDED FOR SHALLOWER CUTS THAN CONTAINED IN THE U.S. OFFER. KOENIG QUESTIONED THE ABSENCE OF OFFERS IN THE POULTRY SECTOR. THE CANADIANS STATED THAT EGGS AND TURKEYS WERE UNDER IMPORT QUOTAS AS PART OF THE SUPPLY MANAGEMENT PROGRAM, THAT CANADA PLANNED TO ADD BROILERS TO THE PROGRAM AND WOULD BE DISCUSSING THE ISSUE BILATERALLY IN WASHINGTON NEXT WEEK. ON CANNED TURKEY A GENERAL IMPORT LICENSE WAS PROVIDED FOR TURKEY UNDER TEN POUNDS AND CANADA WAS PREPARED TO DISCUSS THE LICENSING REQUIREMENTS FOR THE CATEGORY OVER TEN POUNDS. GIFFORD CONFIRMED OUR UNDERSTANDING THAT THERE WERE NO IMPORT LICENSING REQUIREMENTS FOR LIVE CATTLE OR GLUCOSE.

4. GRAINS: CANADA SAID IT WOULD SHORTLY PRESENT A REQUEST TO THE EC FOR A GLOBAL, LEVY-FREE QUOTA ON QUALITY WHEAT AS COMPENSATION FOR CANADIAN GATT RIGHTS AS YET UNCOLLECTED. CANADA'S MAIN INTEREST WAS THE UK MARKET AND IT EXPECTED UK SUPPORT FOR THE MOVE. THE REQUEST, WHICH WAS EXPECTED TO BE READY IN MID-APRIL, WOULD INCLUDE A DEFINITION OF QUALITY WHEAT AND SUGGEST THE APPROPRIATE

BASE YEAR.

5. FRUITS AND VEGETABLES: CANADA WAS READY TO PROCEED WITH ITS ARTICLE XXVIII ACTION AND WOULD BE SUBMITTING SHORTLY A LIST OF THE PRODUCTS AFFECTED FOR DISTRIBUTION BY THE GATT SECRETARIAT. IMPORT DA WOULD BE INCLUDED. GIFFORD NOTED THAT ALTHOUGH A LARGE NUMBER OF TARIFF LINES WOULD BE ON THE LIST, CERTAIN ITEMS WERE ONLY INCLUDED BECAUSE CHANGES IN TARIFF NUMBERING OR NOMENCLATURE WOULD BE REQUIRED, AND RATES ON THESE ITEMS WOULD NOT BE INCREASED. HE SAID THAT THE ARTICLE XXVIII ACTION WOULD BE DISCUSSED IN WASHINGTON AT THE SAME MEETING DEALING WITH THE BROILER PROBLEM. AFTER THAT MEETING CANADA PLANNED TO DISTRIBUTE IN GENEVA ITS PROPOSED PLAN OF LIMITED OFFICIAL USE

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TARIFF MODIFICATIONS AND THE COMPENSATION TO BE OFFERED.

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NEGOTIATIONS WOULD PROCEED IN GENEVA SEPARATE FROM THE MTN, ALTHOUGH FOR CANADA THE LACK OF MANPOWER MEANT THAT ITS MTN DELEGATION WOULD ALSO BE CONCERNED WITH THE

XXVIII NEGOTIATIONS.

6. FUTURE WORK PROGRAM; IT WAS AGREED THAT AS SOON AS THE U.S. HAD HAD A SUFFICIENT TIME TO STUDY THE CANADIAN OFFERS, IT WOULD BE POSSIBLE TO BEGIN AN ITEM-BY-ITEM EXAMINATION OF THE OFFERS, PROBABLY BY MID-APRIL. WASHINGTON COMMENTS ON THE CANADIAN OFFER ARE THUS NEEDED BY APRIL 15.

7. DRAFTED BY HAMERSCHLAG. MCDONALD

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